

IMPLEMENTATION PLAN

NAVAL TRAINING CENTER REDEVELOPMENT PROJECT

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
APRIL 1997

NAVAL TRAINING CENTER IMPLEMENTATION PLAN

A. Introduction

This Implementation Plan (Plan) is being prepared and adopted according to recent revisions of California's Community Redevelopment Law. This Plan identifies project activities scheduled for the next five years, including Very Low, Low and Moderate income housing activities.

The Naval Training Center Redevelopment Project is being adopted to eliminate conditions of blight in the Project Area by new construction, revitalization, and upgrading of residential, commercial, office, and public properties and facilities within and surrounding the Project Area.

The Naval Training Center Redevelopment Project Area is located within the Peninsula Community Planning Area of the City of San Diego. It is located 2.5 miles northwest of downtown San Diego near the northernmost point of San Diego Bay and is directly west of the San Diego International Airport ("Lindbergh Field"). The regional location of the Project Area is shown in Figure 1-1.

The Naval Training Center Redevelopment Project Area is bordered on the west by Rosecrans Street and the Point Loma Neighborhood; to the north by Lytton Avenue and the Midway Community; to the south by Nimitz Boulevard and the Fleet Anti-Submarine Warfare Training Center ("FASWTC"); and to the northeast, east, and south by the Marine Corps Recruit Depot ("MCRD"), San Diego Bay, and San Diego International Airport ("Lindbergh Field"), respectively.

The Naval Training Center Redevelopment Project will provide plan activities for a 30 year period after the date of adoption and the repayment of debt for plan activities for 45 years after the date of adoption. Recent modifications to California Community Redevelopment Law revise the time limits of redevelopment plans.

The Redevelopment Agency has been working with the community and the Naval Training Center Reuse Committee in identifying the constraints and opportunities of the Project Area. The goals and objectives of the Project Area as well as proposed redevelopment actions are discussed in this Plan and related redevelopment documents. The Agency will work with the development community to attract and secure new investment and development through the term of the Redevelopment Project.

B. Description of Project Blighting Conditions

Conditions of project blight within the Project Area will be addressed by the development of the proposed projects. The conditions of blight in the Project Area that, together, have caused a reduction in the proper use of the area to such an extent that it has become a burden on the community that cannot be reversed or alleviated without the assistance of the Redevelopment Agency through the authority of the California Community Redevelopment Law.

California Community Redevelopment Law ("Law") contains provisions authorizing the establishment of a redevelopment project area located within the boundaries of a military base closed pursuant to the actions of the Federal Defense Base Closure and Realignment Commission. Under the newly passed AB 2736, the definition of a "blighted area" and the "conditions" that cause blight applicable to military base closure redevelopment projects has been modified. According to the new legislation passed for military base conversion and redevelopment agencies, the definition of blight has been expanded to include conditions particular to the problems facing redevelopment of such bases. The conditions found in the Project Area include: (1) Buildings in which it unsafe for persons to live or work; (2) Factors that prevent or hinder the economically viable reuse of buildings or areas; (3) Adjacent or nearby uses that are incompatible with each other; (4) Properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards; (5) Land that contains materials or facilities, including, but not limited to, materials for aircraft landing pads and runways, that will have to be removed to allow development

C. Specific Goals and Objectives of the Agency for the Project Area (Generally and for the Next Five Years)

The Naval Training Center Redevelopment Plan proposes to eliminate conditions of blight caused by the base closure with new construction, rehabilitation, infrastructure improvements as well as by coordinating various public projects proposed for the area. In general, the goals and objectives of the Redevelopment Plan, developed by the Naval Training Center Reuse Planning Committee, are: 1) eliminate and prevent the spread of blight and deterioration and conserve, rehabilitate and redevelop the Project Area; 2) improve, promote, and preserve the positive neighborhood characteristics in the surrounding Midway and Peninsula communities, 3) improve, support, and promote the growth and vitality of the Project Area's business environment and address the commercial, service, and employment needs of the Project Area; 4) increase parking, enhance the quality of mobility, and improve Importation facilities which support the vitality, safety, and viability of Naval Training Center; 5) expand and improve park and recreation facility options and green belts and open space opportunities as well as enhance the environmental habitat at the base; 6) enhance infrastructure facilities; 7) provide a full range of employment opportunities and public facilities; 8) preserve and rehabilitate cultural and human resources and urban environments; 9) promote Naval Training Center's historic district.

D. Specific Projects and Expenditures Proposed to be Made During the Next Five Years

Based upon real estate market research specifically conducted for Naval Training Center, it is possible for Naval Training Center to capture new development during the next five years. Specifically, it is possible for new office and R&D space, new single- and multi-family housing units and educational classrooms and administrative offices to be developed or rehabilitated in the Project Area by the Fiscal Year (FY) 2002. It is also recognized that development does not occur uniformly over time, but rather in cycles. Given the current real estate market, new development within Naval Training Center is anticipated to occur during the middle of the initial five year period. Although probably feasible from a market perspective, the phasing is conceptual and is subject to the influences of financial markets, consumer demand and the Agency's ability to provide financial assistance.

The extent to which the Redevelopment Agency will be able to financially assist such projects will depend upon the availability of revenue. That financial assistance is forecasted not to be realized until sufficient tax increment revenue is generated. As discussed in this Report, the Agency may be able to float its first bond issue for the Project Area in FY 2001. Besides the modest anticipated tax increment revenues forecasted for the Project Area, additional project development capital is anticipated through annual applications by the Agency for project funding through the City's Community Development Block Grant (CDBG) program and through other available sources. Collection of tax increment funds, which are not anticipated to commence until FY 2000, will continue throughout the period of this Implementation Plan. In addition to tax increment funds, other revenue sources include but are not limited to loans, grants, land/building lease proceeds, developer proceeds, Mello-Roos Bond proceeds, Transient Occupancy Taxes and Tax Increment Bond Proceeds. Mello-Roos Bond Proceeds are expected to be received in FY 2001. Transient Occupancy Taxes could be received by FY 2002. Tax Increment Bond Proceeds could be received as early as FY 2000.

Based upon the analysis prepared for the Report, the annual revenues estimated for each of the next five years are approximately: \$14,168,000 in FY 1998, \$9,797,000 in FY 1999, \$11,291,000 in FY 2000, \$14,692,000 in 2001 and \$9,531,000 in FY 2002. These revenue amounts are composed of tax increment, net bond proceeds, interest earnings, land/building disposition proceeds, Mello-Roos Bond proceeds, developer contributions to Mello-Roos debt service, transient occupancy tax, city contribution to Mello Roos debt service, public safety institute bond proceeds and other income. Tax increment revenue, which is an important revenue source for the project, is anticipated to commence beginning in FY 2000. The annual tax increment is estimated at \$526,000 in FY 2000, \$1,075,000 in FY 2001 and \$1,597,000 in FY 2002. The total amount of tax increment for this period is estimated at \$3,198,000. Tax increment growth over the five years of this Plan, will be greatly dependent upon the attraction of new development and investment in the Project Area.

Twenty percent (20%) of the annual tax increment allocation will be set aside in the Housing Fund for the development of housing. In accordance with the statutory pass-through formula stipulated in AB 1290, additional shares of tax increment are to be distributed to the following local taxing entities: 1) County of San Diego, 2) San Diego Unified Schools, 3) San Diego Community College District, 4) County Schools, 5) San Diego City and 6) County Water Authority.

The development projects identified in this Plan are dependent upon attracting qualified developers and obtaining the funds to finance the projects.

The expenditures projected for the next five years are anticipated to include costs for implementation, infrastructure improvements, Public Safety Institute Costs, property management costs, Agency administration, Mello Roos bond debt service, tax increment bond debt service and lease revenue bond debt service. The annual expenditures are estimated at approximately \$11,625,000 in FY 1998, \$11,451,000 in FY 1999, \$11,988,000 in FY 2000, \$9,862,000 in FY 2001 and \$4,915,000 in FY 2002. Fiscal Year 2001 is anticipated to be the first year in which bonds are issued for the Project.

1. Five Year Projects Schedule

- **Fiscal Year 1998 Work Program**

- Complete Federal Property Conveyance Process
- Proactively seek new commercial, industrial and residential development within the Project Area through solicitation of developer interest/proposals
- Finalize Reuse Plan
- Certify Program EIR
- Make findings that the Redevelopment Plan is in conformance with Reuse Plan
- Create Marketing Plan
- Road improvements to Decatur and Roosevelt Roads to provide access
- Initial utility improvements required for on-line developments and facility leases
- Continue maintenance for entire base along with U.S. Navy Caretaker program
- Facilitate the expansion of Sail-Ho Golf Course

- **Fiscal Year 1999 Work Program**

- Continue infrastructure improvements that facilitate building lease opportunities
- Begin demolition and clearing for office, R&D and hotel uses
- Begin implementing marketing plan
- Proactively seek new development and rehabilitation opportunities

- Encourage interim uses
- Begin rehabilitation for educational users
- Residential development on-line

- **Fiscal Year 2000 Work Program**
 - Continue demolition/clearing and rehabilitation for new projects
 - Continue infrastructure improvements
 - Proactively seek development - retail, commercial, office
 - Assist in the disposition of tax increment revenue anticipated and support the adopted Homeless Assistance Plan
 - Continue rehabilitation for educational and institutional users

- **Fiscal Year 2001 Work Program**
 - Mello-Roos Bond
 - Continue demolition/clearing and rehabilitation for new projects
 - Continue infrastructure improvements
 - Proactively seek development - retail, commercial, office
 - Assist in the disposition of tax increment revenue anticipated and support the adopted Homeless Assistance Plan
 - Continue rehabilitation for educational and institutional users

- **Fiscal Year 2002 Work Program**
 - Continue demolition/clearing and rehabilitation for new projects
 - Continue infrastructure improvements
 - Proactively seek development - retail, commercial, office
 - Assist in the disposition of tax increment revenue anticipated and support the adopted Homeless Assistance Plan
 - Continue rehabilitation for educational and institutional users

E. Explanation of How the Goals and Objectives, Projects and Expenditures Will Eliminate Project Blighting Conditions

The Redevelopment Plan has been formulated for the Project Area which proposes the development of new and rehabilitated office, R&D, educational, commercial, institutional and residential uses as well as a MWWF facility and a Public Safety Institute. The plan also proposes extensive rehabilitation, demolition and clearing and infrastructure improvements. These projects are designed to alleviate the

blighting conditions caused by the vacancy and disrepair left after base closure by encouraging reinvestment and improving traffic and parking conditions in the Naval Training Center.

This five year implementation plan proposes to eliminate and prevent the spread of blight and to conserve or rehabilitate the Project Area in accordance with the Naval Training Center Reuse Plan. Redevelopment relies upon successful application of capital resources to the acquisition, assemblage and preparation of parcels, proper development phasing, and accurately addressing the needs of the surrounding communities. Such Redevelopment activities will be essential for the reuse of the base as many coordination efforts will be needed in order to prepare the base for various types of private development and leasing. A coordinated effort to phase-in new and rehabilitated development over this five year plan and the life of the project will achieve these objectives.

The on-going project goals and objectives will help ensure continued progress toward alleviation of existing project blighting conditions and will facilitate continued re- investment in the Project Area and surrounding community. Periodic reassessment of existing and planned projects, will insure that the Redevelopment Plan achieves the objectives stated in this implementation plan.

F. Explanation of How the Goals and Objectives, Projects and Expenditures Will Implement Project Housing Requirements

1. Goals and Objectives

California's Community Redevelopment Law requires that not less than twenty percent (20%) of all tax increment generated by the project shall be used for the purpose of increasing the community's supply of very low, low and moderate income housing. Additionally, affordable dwelling units shall remain affordable for not less than the period of land use controls established in the project plan. The Redevelopment Project's on-going goal is to develop housing in compliance with current legislation and available Project resources.

Under California Redevelopment Law, the 20% housing set-aside can be spent for projects outside of the Project Area if the finding is made that doing so is beneficial to the Project Area as a whole. The Naval Training Center Reuse document includes a Homeless Assistance component which is required under federal law. This Homeless Assistance component identifies a strategy for supporting transitional housing off of the base. Housing set-aside funds could support such projects if findings are made that such projects would benefit the Project Area as a whole.

2. Low and Moderate Income Housing Fund

- Amounts Available to Housing Fund

Housing set-aside funds from the Naval Training Center Redevelopment Project are projected to be generated beginning in FY 2000. As estimated in the Report, these amounts are approximately \$132,000 in FY 2000, \$269,000 in FY 2001 and \$399,000 in FY 2002.

- Projected Housing Units and Funds Expended

Based upon the proposed building plan for the Redevelopment Project, it is anticipated that the 350 non-US government units will be added throughout Fiscal Years 1999, 2000, 2001 and 2002. It is projected that the first 90 units could be developed around FY 1999.

The actual number may increase or decrease based upon actual financial resources available and market conditions.

Assuming a \$50,000 assistance per unit, approximately 16 units could be developed using housing set-aside funds by FY 2002. The units could be phased in as the housing set-aside is received. Based on the housing set-aside projections, 3 units could be built in FY 2000, 5 units could be built in FY 2001 and 8 units could be built in FY 2002. The actual amount of housing set-aside funds will depend upon actual tax increment amounts. The actual number of units developed will depend on market conditions and be determined as specific projects are pursued. The housing set-aside funds that accrue to the Agency will be expended on anticipated residential projects.

3. Agency Developed and Project Area Housing

The implementation Plan as required by California Community Redevelopment Law, shall estimate the number of new and rehabilitated dwelling units to be developed in the Project Area and the number of units for very low, low and moderate income households to be developed in order to meet inclusionary housing requirements. The inclusionary housing requirements state that: 1) Fifteen percent (15%) of all new or rehabilitated dwelling units developed by public or private entities, other than the Agency, in a redevelopment project area should be affordable to low and moderate income households, of which forty percent (40%) shall be available at affordable housing cost to Very Low Income households, and 2) Thirty percent (30%) of all new and rehabilitated dwelling units developed by an Agency shall be affordable for Low and Moderate Income households and not less than fifty percent (50%) shall be affordable for Very Low Income households.

The Agency is not expected to develop units itself, but will assist private entities and other public

agencies with the development of housing. Therefore, the Agency will comply with the 15 percent requirement.

- Housing Unit Estimates for the Next 10 Years and Life of Plan

As presented in the Report, 350 market-rate and 500 Navy housing units are projected to be developed over the next 10 years and are expected to be the only housing units developed on the base.

- Housing Unit Estimates for Very Low, Low, and Moderate Income Households for the Next 10 Years and Life of Plan

Assuming that the 850 total housing units projected for the area are developed with Agency involvement, 127 units, would be required to meet the 15 percent threshold for Very Low, Low and Moderate Income households. It is projected that these housing unit numbers for Very Low, Low- and Moderate-Income households would be achieved based upon the forecasted tax increment revenue. The actual number of units developed will depend on market conditions and be determined as specific projects are pursued. The housing set-aside funds that accrue to the Agency will be expended on anticipated residential projects.

- Number of Very Low, Low-, and Moderate-Income Units Already Developed

No units have been developed or assisted since the Redevelopment Plan has just been established.

- Number of Agency Developed Units

As stated above, the Agency is not expected to develop units itself, but will assist private entities and other public agencies with the development of housing.

- Number of Agency Developed Very Low, Low-, and Moderate-Income Units

As stated above, the Agency is not expected to develop units itself, but will assist private entities and other public agencies with the development of housing.

4. Replacement of Dwelling Units Destroyed or Removed

Currently there are no dwelling units in existence on the base. It is not expected that there will be any removal of dwelling units on the base. Any units removed or destroyed will be replaced

to the extent required by California Community Redevelopment Law.

G. Summary

The Implementation Plan for the Naval Training Center Redevelopment Project sets forth the specific projects planned for the Project Area during the next five years, in accordance with the California Community Redevelopment Law. With the adoption of a new redevelopment project area, particularly during a depressed real estate market, it is realistically expected that it will be well into this five year implementation program before meaningful tax increment revenue is generated to finance projects. Based upon conservative estimates, it is anticipated that the Agency could proactively stimulate new development beginning around the year 2000.